

## **Deforestation the next big corporate risk; About five million hectares of forest are cleared every year**

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### **Body**

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September is a busy time. As we move through Thursday's Global Day of Action for the Amazon and later this month to the opening of the United Nations General Assembly, and then to the UN's Climate Action Summit at which heads of state will be expected to present "ambitious and concrete national commitments" to arrest the climate crisis, we look upon the works of corporations and ask, "Then what must we do?"

September offers another deadline: the close of annual corporate submissions to CDP, the non-profit environmental disclosure platform that has grown from its initial Carbon Disclosure Project mandate almost two decades ago to a global organization with 18 offices engaging companies and cities worldwide on environmental risks, and the attendant financial implications, not just in carbon but water and deforestation. Bruno Sarda is the president of CDP North America, based in New York.

He offers this plan of action: "When consumers demand transparency they should demand it not just at the product level but also at the company level."

Let's focus on deforestation: More than 500 institutional investors with close to \$100 trillion (U.S.) in assets have signed on to CDP's disclosure system to help them assess how companies are responding to deforestation risk.

What is the level of board oversight? Are measures of traceability and supplier engagement in place?

For companies that control land, what action has been taken to implement deforestation commitments? Have targets been set? What action has been taken to meet those targets?

You get the drift: assessing corporate action, or the lack thereof, in the battle against deforestation.

The targeted companies, what Sarda calls a "highly curated sample of about 1,500 companies," are at financial risk either directly through the four commodities that drive deforestation - soy, palm oil, timber and cattle - or through the company's supply chain. "A lot of people understand the connection between oil companies and climate change, or even things like maybe fracking and water," Sarda says. "But forests are just now starting to emerge (in the public consciousness). ... So companies quite frankly have not felt the kind of pressure they might have felt on other topics."

Corporate awareness, or responsiveness to, the environmental destruction caused by deforestation dramatically lags the issues of climate change and water security. CDP's most recent deforestation report, The Money Trees, released in July, proves the point. About 70 per cent of the companies failed to report what CDP defines as "critical" forests-related information in 2018. Yet the potential financial risk is enormous: CDP reports that 15 per cent of revenues for the analyzed companies typically depend on those commodities driving deforestation. "Those that have actually done the work and looked into their supply chains through the lens of deforestation recognize not only

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is there risk, there's substantial risk," says Sarda. Even where awareness is high, he adds, "there's a wide chasm between risk exposure and the maturity of risk management systems in place on behalf of these companies."

The deadline for the current disclosure cycle on deforestation is Sept. 13. The urgency to raise reporting standards is plain enough: five million hectares of forest are cleared every year. As the Money Trees report notes, "if deforestation continues in a 'business as usual' manner we could have phased out the use of fossil fuels in 2015 and still see 1.5 or potentially two degrees warming relative to the pre-industrial era by 2100." The interface between CDP, investors and the corporate universe is open to the public at CDP.net. And it's free to register.

Consumers won't see product level information on, say, face goop containing palm oil.

They will see high level reporting, or lack thereof, on the measurement, management and reduction (or not) of environmental impacts. As Sarda says, "How well are these companies engaging in earnest?" Consider the supply chain. "It might be two, three, four tiers into your supply chain," he points out. The company "may be buying from aggregators, from wholesalers, from component manufacturers. ... Sometimes the brands and the retailers will be more apt to engage on the topic than those who are actually closer to the work."

What will force change? The insistence of high powered institutional investors with sizable assets under administration, of course. But consumers play a role, too. "If a company receives multiple requests from customers, that will drive the disclosure rate higher."

Sarda talks about the mobilization of power. Climate activist Greta Thunberg had only just reached North America's shores when we spoke. He speaks of this exciting moment. Of Thunberg's authentic message. Of the galvanizing of global attention. The ultimate message? To demand better of corporations. All of us can play a role in that.

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